LOK SABHA

Friday, September 13, 1996/Bhadra 22, 1918 (Saka)

(The Lok Sabha met at one minute past Eleven of the Clock)

[MR. DEPUTY-SPEAKER *in the Chair*]

[English]

OBITUARY REFERENCES

MR. DEPUTY-SPEAKER : Hon. Members, I have to inform the House with a deep sense of sorrow, of the passing away of two of our former colleagues, namely, Sarvashri Tek Chand and F.H. Mohsin.

Shri Tek Chand was a Member of First Lok Sabha representing Ambala-Shimla Parliamentary constituency of erstwhile United Punjab during 1952-57.

An advocate by profession, Shri Tek Chand authored several books. Some of his well-known publications are "The Law of Contempt of Court and of Legislature" and "The Law of Legal Practitioners". He also wrote commentaries on 'Punjab Act' and 'Child Marriage Restraint Act'.

He was the Chairman of Book Festival Committee during 1949-52.

Shri Tek Chand passed away at Chandigarh on 16 June, 1996 at the age of 93 years.

Shri F.H. Mohsin was a Member from Third to Seventh Lok Sabha representing Dharwad South Parliamentary constituency of Karnataka during 1962-84.

He was Union Deputy Minister for Home Affairs during 1971-77.

Earlier, he was Member of Mysore Legislative Council during 1956-57 and Mysore Legislative Assembly during 1957-62.

Shri Mohsin actively participated in the Freedom Movement.

An advocate and political worker, Shri Mohsin was also an able and active Parliamentarian. He made valuable contribution to the proceedings of the House. He served as the Chairman of the House Committee and was member of various Parliamentary Committees.

A widely travelled person, Shri Mohsin was a member of the Parliamentary Delegation to the U.A.R., Sudan and Algeria.

Shri F.H. Mohsin passed away on 3 September, 1996 at Bangalore at the age of 74 years.

We deeply mourn the loss of these veterans. I am sure that the House will join me in conveying our condolences to the bereaved families.

The House may now stand in silence for a short while as a mark of respect to the memory of deceased.

11.03 hrs.

The Members then stood in silence for a short while.

ORAL ANSWERS TO QUESTIONS

[English]

Bank Loan Defaulters

*581. SHRI SHANTILAL PURSOTAMADAS PATEL : Will the Minister of FINANCE be pleased to state :

(a) whether attention of the Government has been drawn to the news items appearing in the *Indian Express* dated August 16, 1996 detailing the top business/industrial houses defaulting in the repayment of huge bank loans;

(b) if so, the steps taken to realise this huge money from the defaulters and the outcome thereof;

(c) whether these very companies continue to secure loans notwithstanding their adverse record of repayment;

(d) whether the more deserving companies suffer due to this; and

(e) if so, the corrective steps being taken in the matter ?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM) : (a) to (e). A Statement is laid on the Table of the House.

STATEMENT

(a) Yes, Sir

(b) On the basis of Reserve Bank of India (RBI's) advice all nationalised banks have laid down a number of policies including loan policy and loan recovery policy. Recovery efforts are to be made by banks on a continuing basis is accordance with their loan recovery policies.

(c) RBI have issued general policy instructions to banks under 'Group Approach' concept in terms of which the banks are at liberty to decide on their own to restrict selectively additional credit facilities to borrowers in a group where they have come across wilful defaults and non-cooperation from the promoters of the group in settling the dues of banks. Invocation of group approach in the aforesaid manner is decided by banks in the light of instructions issued by RBI, no approval or concurrence from RBI is envisaged.

(d) No specific complaint appears to have been received by Government in the recent past to the effect

that good credit proposals have been turned down on account of loans being sanction to companies with adverse record of repayment.

(e) Does not arise.

[Translation]

SHRI SHANTILAL PURUSHOTTAM DAS PATEL : Mr. Deputy-Speaker, Sir, the big business houses of the country were advanced bank loans worth millions of rupees during the last three years which they have not repaid. Loans worth crores of rupees are outstanding against them. On the other hand, the banks get the properties of poor rural people attached for recovery of petty loans of Rs. 10,000, Rs. 15000 or Rs 25000, and the way they are misbehaved, maltreated and even kidnapped, is beyond my discreption. No action is taken against defaulting big industrial houses. Instructions on phones go from the offices of the Finance Minister, the Prime Minister to financial institutions for grant of loan worth crores of rupees to these business houses. I respect the hon. Finance Minister and do not want to say anything about him, but the loans advanced to these houses are never recovered. Sir, through you, I would like to know from the hon. Finance Minister ; how much bank loan was given to the big industrial houses during the last three years ? The Government had set up some Recovery Tribunals in 1993. May I know what action these Tribunals have taken so far in the metter of recovery of loans and how much loan has been recovered so far ? The poor people face great difficulty in getting loan, they are not even supplied loan forms by scheduled banks, and keeping in view the position of loan recovery, may I know what steps are Government taking in this regard ?

[English]

SHRI P. CHIDAMBARAM : Sir, it is true that there are a large number of accounts where the loans have not been repaid. There may be a variety of reasons why these loans are not repaid. For example, in joint stock companies, the reason why a company is unable to pay the loan could be due to bad management, sometimes even fraud; it could also be because the company has a bad product or technology has overtaken it and competition has edged it out. But the fact remains that large sums are outstanding to the banks. No, the RBI and the banks have revised the system by which they publish a list of defaulters on what are known as 'suit filed accounts'. Whenever suits are filed then that list is published, that is available even to the public. But, in other cases, they have internal guidelines. One guideline is to apply the group approach where a consortium of banks lends to a group of companies under the control of the same management. The suit filed acconts are published and the names of defaulters are known. In order to speed up the recovery of loans in suit filed cases, Debt Recovery Tribunals were set up under an Act.

This is the recovery of debts due to banks and financial institutions after 1993. It was decided to establish 10 Recovery Tribunals and one Debt Recovery Appellate Tribunal. Now, I have figures of five Tribunals. The amount recovered after cases were instituted in the DRT, Delhi was Rs. 121.96 crore ; in the DRT, Bangalore it was Rs. 20.21 crore; in the DRT, Jaipur, it was Rs. 10.04 crore and in the DRT, Calcutta, it was Rs. 2.67 crore.

This is because the Recovery Tribunals have just started functioning. They have been established between April 1994 and December 1994. I will review to see whether we can speed up the process of recovery through the Recovery Tribunals. It is my intention to ensure that the banks recover outstandings through the mechanism of the Debt Recovery Tribunal as well as through persuasions and asking the accounts to be regularised.

[Translation]

SHRI SHANTILAL PURUSHOTTAM DAS PATEL : Mr. Deputy Speaker, Sir, the hon'ble Minister has given a good piece of information about loan recovery but certain rules of the Reserve Bank of India do not allow making public the names of big loanees, so does he propose to amend these bank rules ? Regarding recovery position, if he calls for the statements from each state he will come to know that the people encounter great difficulty in getting loans from scheduled banks under various schemes. The government has launched for rural upliftment. These people do not get bank loan. The Reserve Bank has laid down that certain percentages of bank deposits collected in a particular area should essentially be advanced by way of loan to the same area. But the banks do not give loans in specified proportion to those areas from where those banks collect deposits. What steps the hon'ble Minister proposes to take to make loan available in the specified ratio by the banks in the areas from where bank deposits are collected. ?

[English]

SHRI P. CHIDAMBARAM : I do not think that is the kind of case of default we are talking about. The large cases of suit filed accounts really relate to small loans. I am sure that there are some cases of local banks trying to pressure small loanees into paying the amount through normal suits. I think we are talking about large defaults by large groups, large companies and large borrowers. This question deals with that. If there is any specific area or specific State or district where there is a peculiar problem which the hon. Member is aware of, please let me know and I shall certainly talk to the banks there to see that they do not harass the small loanees.

[Translation]

SHRI SHIVRAJ SINGH : Mr. Deputy Speaker, Sir, bank loans of thousands of crores of rupees are outstanding against big Industrial Houses. They get loan without difficulty but the poor farmer goes from pillar to post to get loan under various schemes like I.R.D.P. which are meant for the upliftment of the poor. They do not get loan. May I know from the hon'ble Minister what are the total percentage of loan given to big Industrial Houses and the percentage of loan given to agriculture sector, as also the percentage of loan given for schemes like I.R.D.P. and how these loans are recovered ?

[English]

SHRI P. CHIDAMBARAM : There is no classification of loans by big industrial houses. In fact, the loans are classified by sectors. No, by and large, one half of the bank credit goes to industry. The other half goes to agriculture, trade, export and other sectors. That is the broad ratio by which loans are distributed. Now for example, as on 31.3.1996, the total credit to industries was Rs. 1,24,992 crore. The total bank credit was Rs. 2,31,697 crore. That is approximately one half. That has been the proportion in the previous years also.

Now, in that, as hon. Members are aware, we require banks to give 40 per cent of net bank credit to priority sector and within the 40 percent, 18 per cent is earmarked for agriculture.

Now, for all public sector bank, the proportion of credit as a percentage of net bank credit to the priority sector, and I have answered this several times in this august House, is 37.75 per cent, against the target of 40 per cent. There is a shortfall of about 2.25 per cent, which, as hon. Members know, is required to be deposited with NABARD to be distributed through the R.I.D.F.

Now, in respect of priority sector, there is a sub-target of 18 per cent, and there also there is a slight shortfall of 18 per cent. But we are trying to make up, as I have said, that shortfall. For export, credit is also provided by the banks. So, this is the broad ratio by which credit is flowing.

[Translation]

SHRI NAWAL KISHORE RAI : Mr. Deputy Speaker, Sir, the reply given to the question No. 581 has made it clear that defaulting big Industrial Houses also get loan conveniently. The former Prime Minister of National front Government Shri V.P. Singh had launched a loan relief scheme whereunder loans of village farmers upto Rs. 10,000 were written off. In this connection a report was sought and because of that report and because of announcement of loan relief scheme those farmers have not repaid their loans and now warrants are being issued against them. I come from Bihar.

MR. DEPUTY-SPEAKER : Please put your question.

SHRI NAWAL KISHORE RAI : I am coming to the question. I come from Bihar and 111 blocks of Bihar did not receive that report timely but later on the State Government made some amendments and corrections in the report and sent it to Central Government and NABARD. The loans upto Rs. 10,000 had been written off upto 31st October 1989. There are 111 blocks in Sitamarhi district about which the State Government has sent a modified report but they have not been given the benefit of loan relief scheme. I come from Sitamarhi.

MR. DEPUTY-SPEAKER : Please put your question.

SHRI NAWAL KISHORE RAI : We have 7 blocks such as Kupari, Sarsan, Narpur etc. in whose cases loans have not been written off. Sir, the industrial Houses are defaulting in the repayments of loans. Still they are being given loans. May I know through you, Sir, whether the remaining 111 blocks of Bihar will also be given benefit of the loan relief scheme introduced by the then government ? ... *(Interruptions)*

MR. DEPUTY-SPEAKER : This is an important question. You will get a reply to it.

[Translation]

SHRI P. CHIDAMBARAM : Sir, I appreciate the concern of the hon. Member. But I would most humbly request him to understand my difficulty. This question relates to loans to business and industrial houses defaulting in the repayment of loans. But if he puts a separate question, surely, I will answer that question.

SHRI JAGDAMBI PRASAD YADAV : May I know from the hon'ble Minister, the loan amount so far recovered by the Government out of the loan amount outstanding against the Indian Express. The big industries are advanced loans without furnishing security while small industries are denied loans even after furnishing security. They do not get loan even after putting in efforts for months together. May I know whether he proposes to simplify the loan granting procedure so that small and cottage industries also get loan ?

[English]

SHRI P. CHIDAMBARAM : Sir, I can give broad figures of recoveries and non-performing assets. It will not be possible for me to give the recovery against each account because that runs into thousands.

The recoveries in non-performing assets of public banks in the year 1993-94 was Rs. 3,134 crore. In 1994-95 Rs. 4,199 crore were recovered. In 1995-96 Rs. 4,005 crore were recovered. Hon. Member also asked if there was any simpler procedure to give loans to small farmers and small borrowers. Yes, there are guidelines. But it is our experience–mine as well as yours as Members of

Parliament – that branches of banks, particularly in rural areas, do not adhere to the time limit stipulated there. Therefore, I share your concern that the banks must adhere to the guidelines. I think there are guidelines of two weeks, four weeks or six weeks by which they should give an answer on the loan application saying 'Yes' or 'No', but our experience is different. I will do my best to see what can be done to streamline the procedure. But I would urge all hon. Members also to create public opinion that bank officers and bank staff must see their duty as performing a public duty and they must stick to the deadlines and they must work harder and efficiently. But I will do my best within the limits of my capacity.

SHRI BASU DEB ACHARIA : Sir, the Indian Bank has incurred a loss to the extent of Rs. 1,350 crore last year, 1995-96. It is because of a huge amount of loan given to the number of business establishments whose credibility was not examined or studied. They have not refunded the loans. Its non-performing asset is 37 per cent. It is the highest among the public sector banks.

May I know from the hon. Minister whether the government will order a probe into the affairs of the Indian Bank to inquire into the corruption and irregularities in the Indian Bank because of which the Bank has incurred loss to the extent of Rs. 1,350 crore ?

SHRI P. CHIDAMBARAM : Sir, inquiries are under way. Government has given concurrence to the C.B.I. to register cases. The Reserve Bank of India is inquiring into the matter. I have personally directed a thorough inquiry and I have received a preliminary report. The amount of Rs. 1,336 crore which is shown in the Profit and Loss Statement of the Indian Bank for the year which has ended is on account of provisioning loss. Huge provisions, to the extent of Rs. 981crore, have been made for the year 1995-96. There will be no hesitation on my part to conduct a thorough inquiry through the R.B.I. and through the Department of Banking.

I must also add that the Indian Bank is one of our premier banks. Since 1st of April, 1996 and upto the 6th of August, 1996, when I last saw the figures, the Indian Bank has recovered Rs. 105 crore and its deposits have increased by Rs. 681 crore. The Indian Bank management has assured me that recoveries are being made and that a drive is on to mobilise deposits and he has assured me that he is confident that this year the Balance Sheet of the Indian Bank will show considerable improvement ... *(Interruptions)*

[Translation]

MR. DEPUTY-SPEAKER : Six supplementaries have been asked, the House agreed.

... *(Interruptions)*

COL. RAO RAM SINGH : This question has taken 26 minutes. *(Interruptions)*

[English]

SHRI RAJESH PILOT : Sir, the very important thing is he did not let the sense of the House come ...*(Interruptions)*

SHRI RAJESH PILOT : The sense of the Question was that everybody wanted to know ... *(Interruptions)*

[Translation]

COL. RAO RAM SINGH : I would like to request you to you to fix 15 minutes for one question. We ought to cover at least four questions.

MR. DEPUTY SPEAKER : I have teken up next question. You have made a right point. I am moving to next question.

[English]

Please let him speak

...*(Interruptions)*

SHRI RAJESH PILOT : Sir, the sense of the question was what is the ratio of recovery from industrial houses and the common man ...*(Interruptions)*.

MR. DEPUTY SPEAKER : Shri Pilot, I am sorry. I have moved to the next question.

SHRI RAJESH PILOT : The hon. Minister gave figures. We are not interested in figures ; we are interested in the ratio ... *(Interruptions)*. There is no accountability in the answer ...*(Interruptions)* Sir, it is also the duty of the Chair ... *(Interruptions)*.

[Translation]

Capital Investment made in Public Sector Units

*583. *SHRI NAWAL KISHORE RAI :

DR. MAHADEEPAK SINGH SHAKYA :

Will the Minister of INDUSTRY be pleasd to state :

(a) the total capital investment made in the Public Sector Undertakings so far ;

(b) the percentage of profit being earned by the above Undertakings out of the above investment at present;

(c) whether the Government have also made any estimate regarding the capital invested in the private sector and percentage of profit being earned out of it;

(d) if so, the details thereof at the end of March, 1996; and

(e) the reasons for the big difference of profit existing between public and private sector industries ?

[English]

THE MINISTER OF INDUSTRY (SHRI MURASOLI MARAN) : (a) to (e). A statement is laid on the Table of the House.